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ABSTRACT

Intended for staffs of sheltered workshops for handicapped individuals, the guide presents a plan for selling the workshop idea to industry, hints on meeting obstacles, and ideas for expanding and upgrading workshop contract promotion. Brief sections cover the following topics (example subtopics are in parentheses): finding work contract prospects (information on obtaining industrial directories for locating prospects); promoting the service (direct mail promotion, news releases on workshop improvement, and classified advertising); selling the prospect (pointers on getting work started with a new customer); budgeting for the sales task (the role of the sales representative); determining the price of a piece work contract (steps to follow in evaluating the acceptability of the price); persuading manufactuers to accept overhead expense (12 steps used to sell overhead in an actual job); compiling a list of nonmanufacturer work sources (ideas for work contracts from nonmanufacturers); and making products for sale. (SB)

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SELLING TO INDUSTRY

For Sheltered Workshops

U. S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
Social and Rehabilitation Service
Rehabilitation Services Administration
Washington, D.C. 20201

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
SOCIAL AND REHABILITATION SERVICE
WASHINGTON, D.C. 20201

INFORMATION MEMORANDUM
RSA-IM-73- 87
June 12, 1973

TO : STATE REHABILITATION AGENCIES (GENERAL)
STATE REHABILITATION AGENCIES (BLIND)
COORDINATORS OF STATE PROGRAMS FOR THE MENTALLY RETARDED

SUBJECT : SELLING TO INDUSTRY - For Sheltered Workshops

CONTENT : SELLING TO INDUSTRY was developed by the Rehabilitation Services Administration with the cooperation of the Advertising Council of America in order to provide a practical guide for rehabilitation facilities in securing subcontracts from industrial firms for services and products.

A small quantity of this publication was originally produced informally, as a "spin-off" from the campaign conducted by the Advertising Council on behalf of the rehabilitation of handicapped persons, which is continuing under a different format. The interest generated by the original limited distribution has indicated the desirability for reprinting by the Rehabilitation Services Administration so that it may reach a wider audience. We hope that it will be of lasting value for sheltered workshop management and will contribute in a worthwhile way to our common aim of expanding opportunities for the disabled.

OTHER
INFORMATION: Additional copies are available from the Division of Service Systems, Rehabilitation Services Administration, Social and Rehabilitation Service, Department of Health, Education and Welfare, Washington, D.C. 20201

Robert Ruddy
Acting Commissioner, Rehabilitation Services Administration

Attachment

DSS-IM

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WHY THIS GUIDE?

Sheltered Workshop A, a typical example, recently has expanded its facilities in a small city and increased client enrollment from 20 to 60. There is not enough contract work for the increased number of clients. Up to now the work of contract procurement has been done almost entirely by the Executive Director from firms known personally to him or to members of the board. Now his administrative problems have multiplied and the job of selling to industry has expanded. How is he to solve this problem?

Workshop B, a large facility of 50,000 sq. ft. with 200 clients in a large city is running out of work. Local industry has cut back on contract work to keep their own employees busy. Production in the area is down. Unemployment is up. The manager of the workshop is pulled alternately outside to call on new prospects and back inside to supervise work in progress... What should be done?

Workshop C has cut back its client enrollment from 60 to 30. The sheltered workshop has only a few sporadic jobs. Its sponsoring agency has always found it necessary to subsidize the workshop activity, but no longer has funds to do so. The workshop plans to concentrate on evaluation and training services, for which it is adequately compensated by funds from the State vocational rehabilitation agency. Must contract work be subsidized or eliminated?

Many staffs of the nearly 2,000 sheltered workshops in the United States are experiencing one or more of the difficulties described above. Many have requested technical assistance on contract procurement which is available at no cost from the Rehabilitation Services Administration in the Department of Health, Education, and Welfare. Many are unaware that such help is available. (The procedure is to forward to the State rehabilitation agency a one-page request Form VRA-34 for a technical assistance consultation. If you don't have the form, a letter will start the wheels turning.)

A major reason why many workshops have insufficient work is that they have not been able to provide a budget for promotion. A well planned, aggressive promotion of workshop contract services is important to attract and maintain a steady flow of customers.

The following pages present a sales promotion plan which can be implemented easily, a few hints on meeting obstacles, and a number of ideas for expanding and up-grading workshop contract promotion.

I. FINDING THE PROSPECTS

There undoubtedly are many excellent prospects for work contracts within a 25-mile radius of your sheltered workshop. Who are they? Where are they located? What's the best way to find them?

The prospects you start with usually come from your personal acquaintances and from referrals. This is seldom enough. You must make a thorough and exhaustive search on a systematic basis of every potential source of work within the market area.

A good plan is to first set up a system using a set of 3" x 5" cards and a file box with a set of dividers. Label each divider with the name of a different city or town where you expect to search for sources of work. Then arrange these dividers in the file in alphabetical order. New localities can be added as you find new ones.

Now list the prospects you already have identified, and type the name, address, and telephone number of each prospect on a separate card. Include also the name of the chief executive or the plant manager and the names of any other individuals in each company that you think may be potential sources of work or help. File these cards in alphabetical order by company name behind the appropriate geographic divider. Every time you talk with one of these sources by phone or in person, make a pencil note of the date and pertinent data. (Such as "Call back in 2 weeks" or "Trial price-$24/M" or "May lend heat sealer.")

Now You Are Ready To Search For New Prospects

The basic source for compiling an adequate prospect list is the latest edition of the State Directory of Manufacturers.

This directory can be found on the reference shelf in most public libraries. Chambers of commerce usually have copies. The directory is usually revised and published by a State or regional agency every year, with new supplements added quarterly. These new supplements often provide the best prospects--the new industries in your area in need of many services.

Usually the State directory is generally organized geographically by city, with companies in each copy listed alphabetically. This organization makes it very easy for you to:

1. Select the cities (towns or other geographical areas) that are near enough for the purpose of doing business.
2. Select the manufacturers in these communities that you think may have needs the workshop can do.

With photocopying equipment available in the library, you can make copies of all pages in the directory that list manufacturers in your geographical market. Be sure to work from the latest edition of the directory. Some directories also give the numbers of employees, size of plant, type of product, and gross annual volume--all very helpful.

Deciding which companies are prospects is by no means an exact science. Experience will indicate obvious potential--the rest is pure guesswork. By way of example, one workshop director eliminated funeral casket manufacturers automatically from his prospect list only to discover later that a large casket manufacturer was sending a considerable amount of work to a sheltered workshop both in the form of hardware assembly and in collating sales catalogs. Almost every manufacturer can become a potential work source. The best rule of thumb in selecting prospects appears to be: When in doubt list them.

There are many other sources, in addition to the State Directory of Manufacturers, which can be consulted to further develop the prospect list, especially if you need to expand work in any particular category (such as office work, printing, book binding, and data card salvaging). These additional directories do not always provide detailed geographical listings, but usually are cross-referenced geographically. This requires consulting the geographical list first to identify each prospect and then turning to the alphabetical list in the directory for the complete information (addresses, names, and telephone numbers)--all a time consuming process.

The yellow (classified) pages of the telephone directory are not a particularly good source, since its listings are predominantly retailers and small service organizations, and are primarily consumer oriented.

Several other directories that you may find productive are:

Industrial Directories

Dun and Bradstreet Million Dollar Directory	National directory of firms with a net worth of $1 million or more.
Dun and Bradstreet Middle Market Directory	National directory of firms with a net worth of $500,000 to $999,000.

Published by Dun and Bradstreet
99 Church Street
New York, N. Y.

(Both directories have a geographical section listing businesses alphabetically by towns and States.)

Industrial Directories (continued)

Fortune Plant and Product Director (the 1,000 largest U.S. industrial corporations)	National directory geographical section lists plants by State and county showing company name and plant address. Does not list names of key executives at these plants.

Published by Time, Inc.
New York, N. Y.

Standard Directory of Advertisers	National directory of 17,000 companies, listing key executives, products, advertising agencies, expenditures, telephone numbers. Geographically organized by States and principal cities.

Published by National Register Publishing Company
5201 Old Orchard Road
Skokie, Illinois

In addition to directories, many regional trade magazines and trade associations can be excellent sources for companies in specific fields of work (such as school supplies, packaging, automotive parts, electronics, advertising specialties, and toys).

As a basic prospect list, you should have a file of 200 or more sources indexed geographically, ready for immediate use and readily usable by everyone in the workshop who may need the information.

II. PROMOTING THE SERVICE

1. Direct Mail Promotion

Having compiled a prospect list, you now are ready to offer a contract work service to these firms. One good way to do this is to write a one-page form letter to be addressed personally to the chief executive or plant manager of each firm. The body of the letter can be typed in your office, and then sent to a printer who would make a photographic offset plate and print copies. (The cost should not exceed $10 per M.) After the letter is printed, your office would fill in the four-line heading at the top of the page as follows:

The ABC Company, Inc.
75 South Street
Gainesville, Georgia
Attn: Ralph C. Smith

By making sure that you use the same typewriter to fill in these names as was used to type the body of the letter originally, you can be sure of a perfect type match. Typewriter keys and ribbon must be in good condition to be sure that the typewritten copy is black enough to match the printed copy. Sign the letter with a marking pen and use a P.S. at the bottom, written by hand, to give it a personal appeal where possible.

If your agency has a non-profit mailing permit, you can save a considerable amount in postage provided that you can sort and bundle letters by zip code and mail the required minimum of 200 letters to qualify for the bulk rate at one time.

A return postcard should be enclosed with your one-page letter. It often is easier for a busy executive to have someone return a postcard than to initiate a phone call at a busy time of day. Mail responses give you a little time to think about the prospect, his needs, and his potential before you follow up with a sales card.

By systematically mailing these letters to your prospect list at intervals of one or two months, you will gradually develop work contracts. The percentage of replies usually ranges from 2 to 15 percent, depending on many circumstances.

2. Brochure for Contract Work

A printed mailing piece generally can be effective. This can be attached to your letter or mailed without a letter. Use with a letter is preferable, since it insures personal

communication with a specific individual and is more likely to get attention. However, the self-mailer often is effective as a follow-up a few weeks after the letter has been sent.

In writing the copy (for brochure or letter), make sure that the following essentials are covered:

- Offer specific services...Assembly, packaging, collating or other specific contract work.

- Size of workshop...Number of workers, amount of floor space in square feet.

- Number of staff supervisors...State their capabilities in terms of fast, dependable service, quality control, inventory control, materials handling procedures.

- Ask for an appointment...Or invite prospects to visit your workshop to explore possibilities, ideas, interests.

- Enclose brochure with letter if possible.

- Enclose a return postcard...Prospect uses card to say he is willing to talk with you or needs more information from you.

3. Quality Achievement Award

When your workshop has achieved a good record of dependability and quality in contract work with a prestigious local firm, you might consider the development of a certificate of achievement for use by local industry in citing your workshop for an outstanding record of quality achievement in subcontracting. It is conceivable that the chief executive officer of the firm will be happy to sign such a certificate. When he does this, you can suggest local publicity that will be mutually beneficial to the workshop and the company making the award.

A news release to the local media, including radio, would be appropriate at this time. After the news publicity (including a photograph of the presentation), the certificate should be framed and displayed prominently in the workshop where it will boost morale and continue to enhance the reputation of the workshop with local industry.

4. Publicity to Industry

You have news for industry whenever you acquire new equipment, increase the number of workers, move to a new facility, expand floor space, appoint a new manager or representative, attend a civic function, or have your photo taken with a prominent individual.

News releases should be prepared as opportunities arise and the important thing is to prepare these as far in advance as possible to gain the coverage desired. By all means, delegate this function to one of your staff or a volunteer who knows how to work with editors.

Occasions For News (Industry Interest)

Expansion - more workers, more space

Arrange an open house

Make a speech to an industry group

Announce new equipment

Receive or give an award

Adopt a new service

Occasions For News (Industry Interest) continued

Celebrate an anniversary

Issue a report - production or manhours worked

Conduct a survey - percentage of industry contract work given to workshops for the handicapped

Questionnaire of industry attitudes and opinions concerning workshop services

Hold a round-table conference with industry and labor leaders

Open letter to civic official industry leader

National Employ the Handicapped Week - sponsored annually by The President's Committee on Employment of the Handicapped

Announce appointment of staff

Job placement statistics - number of clients placed in community jobs

Announce vacation shutdown (issue calendar of holidays)

Building plans - expansion or new construction

Announce gifts from local manufacturers of equipment for workshop and list specific additional items needed

Set up exhibit at trade show or convention

Sponsor a contest with awards for ideas

Set up a class project with trade school, high school, or college

Offer a bounty for leads to new work contracts

Complete a full trailer truckload of work (photo and caption)

Issue a true or false quiz on 10 types of jobs that the workshop is capable of handling

Start a waste recycling project (such as with data punch cards, glass bottles)

5. Classified Advertising

A variety of suggested ads are shown below which may be adapted to fit the specific services you wish to offer. Be sure your ad runs in a section of the paper read by business executives. Try using regional trade publications related to the types of industry you want to reach.

HAND LABOR

Non-profit workshop. _____sq. ft. well equipped. _____ workers. Assembly, Packaging, _____, _____, _____, _____. Phone _____.

CONTRACT MFG

Large modern workshop will assemble complete product and drop-ship or assemble components only. Phone _____.

PACKAGING

High speed dependable work, hand assembly also. Stapling, sealing bags, _____, _____, _____. Can offer 100% quality inspection. Tel._____.

INSTANT FACTORY

We have _____workers and _____sq. ft. for assembly and packaging. Open time now for long run in non-profit workshop. Phone_____.

SHELTERED WORKSHOP wants big volume assembly and packaging work. Quality work and dependable deliveries at economical piece rates. Tel. _____.

MANUFACTURER'S MANUFACTURER

Equipped with _____sq. ft. and _____ workers. Hand labor, inspection, assembly, packaging, writing, _____, _____, _____. Phone _____.

YOU NAME IT

We'll make it, assemble it, glue it, inspect it, pack it, ship it to your customers in volume! Non-profit workshop _____sq. ft., _____workers.

SUb-CONTRACT

Each $3.20 buys you an hour of time on any of the following equipment:

1. Blister sealer
2. Bag sealer
3. Drill press

Also hand assembly and quality inspection jobs in volume, _____workers. Phone _____.

III. SELLING THE PROSPECT

1. The Sales Task

As soon as you have compiled a list of prospects and sent out an introductory letter or brochure, you should follow up with a telephone contact to get an appointment.

When making this phone call, make it clear that you are not soliciting funds or donations but are representing a well-organized production facility which can provide a specific service (such as assembly, packaging, or collating) that may be of interest from a purely business standpoint. If a production or plant manager refers you to the public relations department, you probably have not made it clear that you want a chance to bid on contract work along with other firms. If the plant manager seems abrupt, it may be because he is under pressure to get work done and has many problems on which your workshop can be helpful. If he says he is too busy right now or has no work to give out, suggest to him that you will call him again in about two weeks. (sooner or later he is going to need you!)

It is suggested that you take along your business card as this will impress the people you contact as well as remind them of your location and telephone number. In case you don't have such a card available get a supply printed similar to the following:

405 - 932-4100

JOHN E. DEAVER
Procurement Specialist
Creative Interprises

802 Early Street
Alberta, Wisconsin 18042

After a brief preliminary talk with the prospect in his office, ask to see the production area. A tour of the plant usually will result in specific ideas and problems where your service can be helpful. If possible, always get a sample of the potential job or jobs. (A rejected piece or--better--a complete set of disassembled parts, and a sample finished piece.) The more different samples you can get, the better for future follow up, even though there is no immediate urgency for them.

Here are some pointers on getting work started with a new customer.

- Suggest starting with one very simple job--good way to get acquainted. No more than one operation at the outset while you work out communications, logistics, and procedures.
- Find out what volume of work per week the prospect will need. Be realistic in limiting your production capacity to these needs. Do not over-promise or over-estimate your capacity.
- Warn the prospect of any problems that you think may cause misunderstanding at the outset. (Where to deliver, what loading dock or other facilities you have or do not have, closing time for delivery, who will be in charge of work, telephone contact, your policy with regard to meeting his quality standards within tolerances that he specifies, terms of payment, insurance coverage limitations, etc.)
- Get the job in your shop as soon as possible on a trial basis. Try to avoid making a time study with simulated parts or with a small quantity, as this wastes time and is seldom accurate. Better to get the actual job going on a guaranteed trial price, which can be adjusted on future work after you have had sufficient time to develop optimum work methods and know from experience the actual cost of doing the job.
- Emphasize the point that your staff will supervise and inspect the work for quality, hence the customer is getting an extra inspection process at no cost.
- Know transportation carriers and truckers in the area. Try to help the customer save on trucking

expense. Suggest that you may be able to develop a drop-shipping service if he will provide you with bills of lading and will order the carriers to pick up shipments at your workshop (thus saving extra handling, storage and trucking expense).

- Ask for the order! Try not to come away without asking the prospect to give you

  a. A specific job on a trial basis.

  b. A second appoint.

  c. A chance to bid on some other work.

  d. A referral to another individual who is responsible for purchasing contract work, sub-assemblies, supplies, or other services.

The amount of follow-up work needed is considerable and constant. Many prospects are planning or anticipating work months ahead. The follow up may extend for weeks, months in the future. Use good judgment in deciding how often to phone a prospect (or mail him a reminder note). Phone often enough so he will remember you and know you haven't lost interest, but not so often that he is irritated.

Yes-Points

Always keep the prospect saying yes. Raise points such as these to objections:

Not enough work here for our own employees.	But you are purchasing sub-assemblies or supplies from firms outside the community.
Unable to think of a work project for you.	We'd like to visit your plant and see the problems you have. How about next Monday at 9:30 AM?
We're slowed down now. No work to give out.	Well, let's talk about your peak load season. When is that?
Trucking costs would be too high.	Suppose your suppliers ship the components direct to us. Won't that eliminate extra trucking and save you the trouble of handling?

Our labor union objects.	We have _____ clients from labor union families in our workshop. Do you mind if we talk with Mr. _____ ? (union official)
Your workers would never be able to meet our quality standards.	We have one supervisor on the floor for every _____ workers. How does that compare with your set-up?
Our work is too complex.	We simplify complex jobs by fractionalizing the work into very simple steps. For example... (give example).
You don't have the equipment to do this job.	Some of our customers lend us their equipment. They save floor space and eliminate a supervisory operation.
What if you make a mistake on the job?	You can return any rejects to us. We'll do them over at no cost to you.
How do I know you can meet my delivery deadlines?	We can put _____ workers on your job if necessary. How many pieces per week do you need?

Sources of Local Help

Every sheltered workshop needs to develop a file of "volunteer brains" and other sources of help in many different areas. A few suggestions are listed below:

Work methods	American Institute of Industrial Engineers, 345 East 47th Street, New York, N. Y. Get in touch with the community relations committee chairman of local chapter. Some chapters have adopted sheltered workshops as a volunteer project. Individual retired engineers, tool makers, foremen, and production men often will supply volunteer help.
Industry contacts	Chamber of Commerce - Industrial Committee or area Economic Development Council... Meetings, new publications, exhibits, referrals to key executives.

Brochures, classified ads	Get in touch with local advertising or public relations executives for expertise and talent in writing, photographs, lay-out, etc. Make the request directly to the chief executive of a large firm who is interested in the workshop.
Jigs and fixtures	Develop liaison with trade schools, industrially oriented high school teachers, retired tool makers, hobbyists. Pay for the service if work needed exceeds limitations of volunteer time.
Administrative problems	Request help from SCORE, an organization of retired executives who give counsel to small businesses on a volunteer basis. This program has been set up in many cities by the Small Business Administration. Get in touch with the local SBA office.
Surplus equipment from industry	Write a letter to the chief executives of all local manufacturing firms asking for donations of used equipment. List specific types of equipment wanted.
Surplus from Government agencies	Make application through appropriate State agency. Priority is given to rehabilitation agencies and educational institutions.

IV. BUDGETING FOR THE SALES TASK

The sales task is a basic function in every business. It would be fatal for a business to neglect this task. A non-profit agency also would invite grave problems should it fail to plan and budget for sales.

Many workshops, preoccupied with a sometimes staggering need for professional services and guided by a professionally oriented board, fall into the error of failing to budget for sales. When this occurs the executive director is faced with the problem of procuring work contracts without the funds or staff to do this important job.

1. The Sales Representative

An executive director of a workshop usually cannot personally be responsible for getting work contracts and simultaneously

carrying out his numerous administrative tasks. The workshop manager or foreman also would have difficulty finding the time to call on industry when he is needed inside the shop to manage and supervise work in progress.

One solution is to employ a "contract procurement specialist" and delegate the sales task to him. His title should be "sales representative," a title that manufacturers recognize and accept. If a small workshop cannot afford a full-time representative, employment on a part-time basis may be possible. An experienced manufacturers' representative who is already calling on industry in the area and has time to take on the workshop as one of his accounts would be an ideal choice. Such a representative can be compensated either by a small salary plus a commission, or on a straight commission basis. The terms of the agreement between the workshop and the representative should be outlined in a brief letter that protects the interests of both parties.

It is important to estimate the annual dollar volume of work you will need, and establish this as a sales quota for the representative to meet. Customers you already have should be identified as "house accounts." The representative can be asked to help service and follow up your "house accounts" (at a lower commission) or to leave them alone entirely, in which case they would not be commissionable.

From the representative's point of view, there will be many months of development work during which he receives little or no income and bears all the expense of travel, phone calls, correspondence, negotiating prices, follow up and the sales work. This investment is not worthwhile for him unless (1) he is assured that his commission rights will be protected and (2) the workshop produces the estimated annual volume which he has been assigned as a sales quota.

It would be unethical for a workshop to attempt to terminate or reduce the representative's commission after he had invested his time and effort in generating the original sales. A well written agreement will specify the responsibility of the workshop in this regard. From the workshop's standpoint, this is an excellent way to get experienced sales help without the burden of telephone, office, and travel expenses. Thus at a

minimal expense, the workshop can acquire the services of a high caliber sales executive who is capable of meeting and talking with middle management and top management. There is no expense (telephone, space, salary) to the workshop for a new contract until the new job is found, sold, delivered, and paid for.

An alternative is to delegate the sales task to one member of the workshop staff who, though not experienced, eventually acquires the necessary capability. The success of this approach will depend upon the suitability of the individual chosen and the amount of time he can spend calling on industry, as well as the volume of work needed to keep the workshop operating at maximum efficiency.

2. Estimating Annual Dollar Volume

For planning and budgeting purposes, the workshop should establish a target for the annual volume of work in dollars. Without this target, you cannot intelligently budget for the sales task. For example, a sales budget of $10,000 to $15,000 would appear reasonable to generate $100,000 in annual volume, but would be questionable if the annual volume were only $10,000.

One way to arrive at a sales target (annual volume) is simply to multiply the anticipated number of workers by the average anticipated work volume per worker. For example, if you expect to have an average enrollment of 100 workers, and experience indicates an annual volume per worker of $1,000 per year, you might set a target of 100 x $1,000 or $100,000.

The amount of annual dollar volume per client varies with capability, type of work, and other circumstances. In a 1967 survey of 110 workshops conducted at the University of Maryland by Daniel D. Mauchline, the average volume per client was reported as follows:

	Average Annual Sales Per Client	
	Salvaging (Goodwill)	Contract Work
Small workshop (less than 50 clients)	$2,857	$1,063
Medium workshop (50 - 99)	2,874	783
Large workshop (100+)	2,820	642

Your own clients may fall somewhere between the low of $642 and the high of $2,857 per year. These averages appear to be low, however, and hopefully can be raised by a workshop that develops more efficient production methods and a steady flow of work. In any case, sound managerial control requires that an annual sales target be established and that a budget for sales expense be set up. The results should be measured annually for the purpose of planning the next year's budget. The sales budget should encompass salaries, commissions, and promotion expenses for contract procurement. Advertising and publicity to industry should be included.

V. PRICING THE JOB

The price of a piece work contract is based on the production standard of non-handicapped workers. This standard normally is expressed in numbers of pieces per hour. (A list of such standards is available from the U. S. Department of Labor, Wage and Hour and Public Contracts Division.)

The formula for pricing a job is to multiply the production standard by the prevailing hourly wage and add an acceptable percentage for overhead. For example, let's assume the production standard for inserting one piece in a #10 envelope without folding or sealing is 800 pieces an hour. Using the statutory minimum wage of $1.60 an hour, the cost becomes $1.60 - 800 or .002 each, which would usually be expressed as $2.00 per M. If 100 percent overhead is added, the price would become $4.00 per M.

1. How Much Overhead?

There is no arbitrary rule on the amount of overhead that a workshop must add to meet requirements stipulated by the Department of Labor. However, Department of Labor officials sometimes have opinions and make recommendations in this area. Charges for setting up, tooling, extra handling, inventorying, and drop-ship services normally would be added by a professional contract packaging shop or a machine shop facility. Higher rates for certain high skill operations or for operating special equipment are normal. The amount of experience, capability, and sophistication a workshop has to offer and the nature of industries served will determine pricing policy for these services.

2. Price Quotation in Writing

When starting a new job at a trial price, the amount often is quoted verbally or by telephone. This is a good way to get new work started without delay as long as both parties understand exactly what work will be done.

To clarify this understanding, follow up the verbal price agreement by mailing the customer two copies of a simple one-page agreement form. This specifies the work to be done by the workshop; the terms of payment; who provides trucking; and that all materials are to be provided by the customer with special attention to the materials he is likely to forget such as cartons, tape for sealing the cartons, staples, glue, and scotch tape. Also specify any equipment that the customer will lend to the workshop. The customer should sign and return one copy to the workshop, retaining the duplicate for his own records.

Receiving and shipping hours should be specified on this form, especially if you are unable to load and unload after 4 P.M. Liability for fire, theft, or damage to the customer's goods should be stated as covered.

3. Is the Price Right?

Assuming you have all the details on the work to be done, the trucking services, packing, inventorying, storage, and quality control, you now must decide what price to quote.

In order to do this you need to know the answer to two questions:

a. What is the lowest price acceptable to the workshop?

b. What is the highest price acceptable to the customer?

Somewhere in between this low - high bracket lies the price you can get for the job.

4. The Price Acceptable to the Workshop

Considerable fact-finding and analysis will be required by the workshop production staff before they are ready to give more than tentative answers on price.

The first step is to select the method of doing the job--especially the layout, the workflow, the inspection procedures, the materials handling, and particularly the ingenious use of fixtures, jigs, or equipment to get optimum production.

These considerations are beyond the scope of this publication. One of the most helpful guides in this area is the brief (18 page) monograph by Ronald R. Stroud entitled "Work Measurement in Rehabilitation Workshops," originally published by the University of Maryland, Regional Rehabilitation Research Institute. Copies now may be obtained by writing to Region III Training Program for Facility Personnel, Jull Hall, University of Maryland, College Park, Maryland 20742.

Stroud's booklet explains briefly and explicitly the methods for setting production standards, calculating piece rates, selecting work methods, scheduling production, and computing overhead costs. In addition, Mr. Stroud gives special attention to the procedure for developing an individual efficiency index for each client and an overall efficiency index for the workshop.

The overall efficiency index is valuable in determining what share of the overhead should be allocated to rehabilitation rather than to production cost. This becomes important in pricing contracts to be sure that production costs are not confused with some of the extraordinary costs incurred for rehabilitation objectives.

Michael Dolnick's book "Contract Procurement Practices of Sheltered Workshops" gives considerable help on the subject of determining costs and prices. Mr. Dolnick describes specifically how these problems are handled by a number of different workshops based on a survey of 35 sheltered workshops conducted by the National Easter Seal Society for Crippled Children and Adults. This book is so well known to workshops that the reference may be unnecessary, but just in case you missed it, copies are available at no charge from the Department of Health, Education, and Welfare, Social and Rehabilitation Service, Rehabilitation Services Administration, Washington, D. C. 20201.

Mr. Dolnick is particularly helpful in his thorough analysis on pages 33 and 34 in a chapter headed "Extraordinary Costs of Workshop Services." Here he describes rehabilitative

functions of a workshop that are inefficient from a purely production standpoint but valuable to accomplish the objective. He points out that problems of evaluation services, labor turnover, training programs, therapeutic methods, and unproductive labor have precedence over production efficiency. These extraordinary costs cannot be passed on to the customer in the price of the job if the workshop is to remain competitive.

There is a great deal of additional material in Dolnick's book that could be helpful to you. We recommend a thorough study of Chapter IX ("The Pricing Process"), Chapter X ("The Bid"), Chapter XII ("Selected Financial Aspects of Contracting"), and Chapter XIII ("What Contractors Say About Workshops").

In deciding the price acceptable to the workshop, a good deal depends on how much trucking is involved and who will bear this expense. To minimize trucking expense, the following may be helpful:

a. The customer saves trucking and handling expense by instructing his suppliers to deliver components directly to the workshop.

b. The customer saves again by organizing a drop-shipping service in which the workshop ships finished work directly to his customers.

c. Trucking costs are reduced by increasing size of load to get a full load, reducing frequency of trips, and organizing round trips with the truck loaded both ways.

By mixing the wisdom of Stroud and Dolnick with the ingenuity of the shop production staff, the question of "lowest price acceptable" can be answered.

Of course, in seeking new business, the target price will be the highest amount possible. But there should be a high - low bracket in the mind of the negotiator as he proceeds to bid.

5. <u>The Price Acceptable to the Customer</u>

Assuming the job has never been done before and the customer does not state or hint at a price he has established, the problem is to find out what he will accept. In order to do this, you must learn the following:

a. His production standard or his actual production per hour or per day.

b. His hourly pay rate to employees.

c. His overhead costs.

You can calculate his cost and bid accordingly by knowing the above facts.

Comparison of prices with similar jobs he is doing can be helpful. Offering to do a small truckload of work at a trial price is a good way to draw out his ideas on what the cost should be.

In all price negotiations, three basic ground rules must be consistently observed. They are:

a. No one will quote a price to the customer except the authorized representative. (Staff members, board members, and the executive director will all abide by this rule.)

b. The representative will not quote a firm price without prior agreement from the shop manager or shop foreman.

c. Never allow hand labor to compete with equipment. (Avoid bidding on jobs that the manufacturer is doing on high-speed automated equipment.)

6. Customer Motivation is the Key

The best possible approach to selling the prospect is to put yourself mentally in his job and think about his problems and needs. There are wide differences among prospects. The size and nature of the enterprise makes an enormous difference in how to approach the selling task.

For example, a prospect may be the owner of a business for which he hires labor at the lowest possible rates, and he may be under constant pressure to produce goods at the lowest possible price in order to meet competition. Or he may be a purchasing agent for a company that pays above average hourly wages and sub-contracts many operations to suppliers. The price of the job may be a major motivation in the first case and a minor factor in the second. How would you motivate each man to give your workshop the desired contract? In both cases the approach is the same. It is to find out what services are most needed, what pressures are the most demanding, what help will be most appreciated.

A common error is to overemphasize the price factor. Price is the major consideration, of course. Many customers will assume automatically that your price will be lower than that of the normal supplier because your workers are handicapped. This fallacy must be overcome by a strong but brief statement that your prices are based on standards prescribed by Wage and Hour Division rules. The objective is to convey this fact without killing the customer's hope that he will somehow get a bargain. He is understandably seeking a good business deal.

But the good deal or bargain need not be entirely a matter of price. Are there not other aspects of the service needed? What about work quality? You may be able to offer better quality work than he is now getting from his own poorly supervised, unskilled, low-paid, and poorly motivated work force. Or he may need you to get the job finished and delivered in time. He must either go out and hire 10 new employees or give the work to you (or to your competitor). Whatever he needs--floor space, quality, volume--these services should be emphasized. And the price of the job must be competitive according to fair standards.

All of which often is summarized in industrial marketing circles with the battle cry, "Don't sell the price--sell the service!" In our experience with numerous workshops--some of which are quite small, poorly equipped, and in difficult locations--the quality of work is better than in the industrial plant.

The sheltered workshop spends an extraordinary amount of time on supervision and inspection. The ratio of floor supervisors to workers may be ten times higher than in industry. The inspection procedures and the do-it-over training policy which are necessary for rehabilitation pay a dividend in higher quality of finished work. To many customers this dividend comes as a pleasant surprise, indeed. And in certain types of work this factor may be the most important asset that the workshop has to offer.

VI. SELLING THE OVERHEAD

All workshops report considerable difficulty in persuading manufacturers to accept overhead expense in addition to the basic cost of production.

It is much easier to sell this overhead factor to a large corporation, particularly one working on Government contracts, than it is to a highly competitive consumer goods manufacturer. Large corporations do a great deal of sub-contracting and have sophisticated purchasing procedures with a built-in acceptance of overhead factors.

The best possible solution to the problem of "selling the overhead" is to do business only with firms that have mostly high-skilled employees, have steady Government contract work, and are sub-contracting a good deal of this to various suppliers at rates that include a generous overhead allowance of 100 percent or more.

But for those who do not have access to such benevolent purchasing agents, here are some pointers to aid in persuading those hard-nosed operators (who might be the only prospects in your market) that they can afford to pick up the tab for your rent, utilities, supervision, fringe benefits, and taxes and still will get a terrific bargain in your production price.

For example, assume that we currently are considering a job for a distributor in a large city. The job is to insert 5 small parts in a small envelope and seal it. The quantity is 500 M. The need is immediate...delivery in five weeks. The price is in question.

Without a full scale time study, estimate a production standard of 100 per hour which at the Federal minimum hourly wage of $1.60 per hour converts to a piece rate of $16 per M. For the total 500 M packages this comes to $9,000. But what about the overhead? Add 100 percent ($9,000) and the total is $18,000. Now try to sell that extra $9,000 to the gimlet-eyed customer.

It so happens that this example is an actual job (with a few details camouflaged)--and we are currently working on it. The chances may not appear to be bright, but here is how we will proceed.

Step one - Get 1,000 pieces or more in the shop for a time study.

Step two - Use considerable ingenuity to get maximum production. A few jigs and fixtures may be helpful. (By using our semi-automatic bag blower and drop sealer we can double production speed.)

Step three - Quote a cost based on $2.25 an hour rather than $1.60. (The manufacturer is paying his employees $2.25.) This gives a cost of $22.50 per M.

Step four - Approach the overhead factor cautiously, by stating that the standard Federal and State payroll taxes and social security will be added.

Step five - Having reached an agreement on the above portion of overhead, suggest that the standard overhead factor in cost accounting practice is 100 percent, and we assume this will be agreeable.

Step six - Bargain for the amount of overhead.

Step seven - Compare the above overhead to what the customer would pay to a temporary employment agency, or a letter shop, or a printer, or a machine shop, or any other supplier.

Step eight - Enumerate all hidden costs he pays in his own shop (see chart Manufacturer's Hidden Costs) that he saves by sub-contracting.

Step nine - Emphasize that we have ___ workers in the shop and can guarantee delivery in five weeks if not sooner.

Step ten - Explain workshop inspection procedures that will assure higher quality than he would get from a commercial packager.

Step eleven - Suggest he save handling and trucking expense by having his suppliers ship the components directly to the workshop.

Step twelve - Suggest he save again by arranging for shipment of finished job direct to his customer.

We may not be successful in selling the entire extra $9,000 overhead to this type of customer, but we expect to come out with a reasonable amount above production costs.

Manufacturer's Hidden Costs

How many can be saved when he contracts the work to a sheltered workshop?	What % of mfr's production cost?
-- 74 man-hours per year of paid vacation for each employee (2 weeks average)	_____
-- 35 man-hours per year of paid holidays for each employee (5 days average)	_____
-- 21 man-hours per year average sick leave for each employee (3 days average)	_____
-- 133 man-hours total for the above	_____
-- 232 coffee and snack breaks per employee per year (1 per day)	_____
-- Federal and State income taxes - employer's share	_____
-- Social security - employer's share	_____
-- Workmen's compensation costs	_____
-- Group health-life insurance - employer's share or cost of administration	_____
-- Payroll administration costs	_____
-- Down time, stoppages and bottlenecks	_____
-- Finding, selecting, hiring new workers	_____
-- Instructing, training, employees on new work - learning curve	_____
-- Emergencies and crises--emotional upsets, accidents, disturbances, bad weather	_____
-- Paid employee amenities--office parties, counseling, distractions, meetings	_____
-- Overtime rates--when necessary to meet deadlines	_____
-- Errors corrected at mfr's expense	_____
-- Cost of supervising the work	_____
-- Inspection and quality control	_____

-- Floor space--for production and storage _____

-- Equipment and fixtures _____

-- Power and utilities _____

-- Handling incoming components - cost saved when they are shipped direct to the workshop _____

VII. NON-MANUFACTURER WORK SOURCES

When a workshop is located in an area where there is little or no manufacturing, it may be necessary to compile a special prospect list of sources which are not manufacturers. Such sources often have greater need for services than manufacturers who have their own production facilities. It is difficult to get a list of these sources from any one directory, but here are a few ideas that have produced good results.

Ideas for Work Contracts from Non-Manufacturers

Source	Type of Work or Service
School system or university	Refinishing desk tops. Cleaning athletic equipment. Janitorial supplies. Book repairs.
Insurance and data processing	Salvaging data cards. Collating sales kits.
Bottling company	Salvaging 6-pack chipboard containers.
Libraries	Repairing and rebinding books. Processing new books.
State, county, or municipal purchasing department	Janitorial supplies. Office supplies. Furniture repair.
Distributor or wholesaler	Develop private brand product line. (You make it; he sells it.)
Sales agent or entrepreneur with established distribution in volume	Assemble and pack and drop-ship complete product line according to specifications.

Printer or publisher or newspaper	Glueing, assembling displays. Inserting, mail services. Folding, stapling.
Trade magazine	Processing inquiry cards (bingo card).
Advertising department or agency	Clipping services. Collating sales kits. Assembling displays. Typing lists. Advertising specialties. Imprinting. Assembly. Packaging. Mailing.
Importer	Inspection and drop-shipping.
Supermarket	Repairing shopping carts.
Building supply houses	Assembling aluminum screens.
Banks	Mailing operations. Key punch training and work.
Air conditioning services	Cleaning, salvaging, wiring.
Chicken growers	Repairing shipping crates and supplying new crates (wood).
Research laboratory	Packaging, inventorying, cleaning bottles, etc.
Hospital or institution	Photo copying records.
Farms	Packaging, sorting, grading (apples, potatoes, nuts, seeds, etc.).
Telephone company	Cleaning instruments. Folding and stuffing envelopes. Mailing coins to customers. Typing lists. Salvaging punch cards and phone books.
Power company	Typing lists and mailing operations. Salvaging punch cards and paper.

VIII. MAKING PRODUCTS FOR SALE

Many workshops have tried making their own products. There are definite advantages to having such projects to work on when contract work falls off. The community relations value is helpful. The morale of the workshop gets a boost when finished products are admired and sold. Encouraged by initial success and sale of a few hundred pieces and requests for more, the workshop decides to embark on a full-scale program of prime manufacturing.

The outcome, in most cases, proves conclusively that the workshop can make products in enormous volume but cannot sell them. The local market is quickly exhausted. The workshop now has an inventory and a marketing problem.

The task of marketing a product in volume requires regional or nationwide distribution channels and the talents of a highly specialized marketing organization. For this reason, the manufacturing project is seldom feasible for a sheltered workshop except in those rare cases where a guaranteed market has been found.

For example, one workshop supplies aprons and uniforms to a State agency on a continuing basis. An annual contract is written that stipulates the total number of pieces and quantities to be delivered monthly. This assures the workshop of steady year round production at an established price.

Another workshop makes a full line of wooden cabinets and shelves for a distributor who sells them to chain stores. The distributor assumes all the risk, purchasing the lumber and materials, planning the annual volume, estimating the number of pieces to ship monthly, and finally sending firm shipping orders for products to be shipped to retailers. This project has run successfully for several years, but the workshop has little or no control and the commercial market is volatile. The key to success is the talent and ability of the wholesaler in designing and selling these products.

If you are in a position to capture a guaranteed market, as in the two examples above, it may be possible to make a product for sale in volume. Otherwise, the manufacture of products will be limited to local sales. Although such a project may be desirable for training and morale, you can expect that the project will be costly in terms of supervision per client and will provide only a limited volume of work. Distribution by consignment to a number of thrift shops which have a good volume of business on a sales commission basis might be worth developing.

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